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June 1, 2007

**VIA E-FILING AND HAND DELIVERY**

Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

Re: Carolina Power & Light Company dba Progress Energy Carolinas, Inc. - Annual  
Review of Base Rates for Fuel Costs  
**Docket No. 2007-1-E**

Dear Mr. Terreni:

Enclosed please find the original and one copy of the Direct Testimony and Exhibits of  
Jacqueline R. Cherry in the above referenced docket.

Please note that the attached documents are exact duplicates, with the exception of the form of  
the signature, of the e-filed copy submitted to the Commission in accordance with its electronic  
filing instructions.

By copy of this letter we are also serving all other parties of record. Please let me know if you  
have any questions.

Sincerely,

Nanette S. Edwards

NSE/pjm  
Enclosures

cc: Len S. Anthony, Esquire  
Garrett A. Stone, Esquire  
Thomas S. Mullikin, Esquire  
Michael K. Lavanga, Esquire

**THE OFFICE OF REGULATORY STAFF  
DIRECT TESTIMONY AND EXHIBITS  
OF**

**JACQUELINE R. CHERRY  
JUNE 1, 2007**



**DOCKET NO. 2007-1-E**

**Carolina Power & Light Company  
d/b/a Progress Energy Carolinas, Inc.  
Annual Review of Base Rates for Fuel Costs**

**TESTIMONY OF JACQUELINE R. CHERRY**

**ON BEHALF OF**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2007-1-E**

**Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Jacqueline R. Cherry. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. I am employed by the Office of Regulatory Staff ("ORS") in the Audit Department, as an Audit Manager.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a B.S. Degree in Business Administration, with a major in Accounting from Johnson C. Smith University in 1976. From February 1979 to October 2004, I was employed as an auditor with the Public Service Commission of South Carolina (the "Commission") and participated in cases involving the regulation of gas, electric, telephone, water and wastewater utilities. In October 2004, I began employment as an Audit Manager with the Office of Regulatory Staff ("ORS").

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

1    **A.**   The purpose of my testimony is to present the results of ORS Audit  
2           Staff's examination of Carolina Power & Light Company d/b/a Progress  
3           Energy Carolinas, Inc.'s ("the Company" or "PEC") books and records  
4           pertaining to the Fuel Adjustment Clause operation for the current  
5           review period of April 2006 through June 2007 (Docket No. 2007-1-E).  
6           The findings of the examination are set forth below and in the exhibits  
7           attached to this testimony. The findings presented in the Report of the  
8           Audit Department were either prepared by me or were prepared under  
9           my direction and supervision.

10   **Q.   WHAT WAS THE PURPOSE OF THIS EXAMINATION?**

11    **A.**   The purpose of the examination was to determine whether the  
12           Company's accounting practices in computing and applying the monthly  
13           Fuel Adjustment Clause have been in compliance with the S.C. Code  
14           Ann. §58-27-865 (Supp. 2006). To accomplish this task, ORS  
15           examined the components associated with the operation of the clause.

16   **Q.   WHAT WAS THE SCOPE OF ORS'S EXAMINATION?**

17    **A.**   ORS Audit Staff examined and traced the monthly fuel adjustment  
18           factor calculations and the fuel recovery balances as recorded in the  
19           Company's books and records. The current fuel review covered the  
20           period April 2006 through June 2007. However, the ORS Audit Staff did  
21           not examine the months of April, May and June 2007 because estimated

1 figures for those three months were used by the Company. The  
2 examination consisted of:

- 3 1. Analyzing the Fuel Stock Account – Account # 151
- 4 2. Verifying Receipts to the Fuel Stock Account – Account # 151
- 5 3. Verifying Charges to Nuclear Fuel Expense - Account # 518
- 6 4. Verifying Purchased and Interchange Power Fuel Costs
- 7 5. Verifying KWH Sales
- 8 6. Recalculating the Fuel Adjustment Factors and Verifying the
- 9 Deferred Fuel Costs
- 10 7. Recalculating the True-up for the Over/Under-Recovered Fuel
- 11 Costs
- 12 8. Verifying the Details of the Company's Fuel Costs

13 **Q. PLEASE ELABORATE ON ORS AUDIT STAFF'S COMPUTATION OF**  
14 **THE TRUE-UP OF OVER/UNDER-RECOVERED FUEL COSTS.**

15 **A.** ORS Audit Exhibit JRC-6, entitled "South Carolina Fuel Cost  
16 Computation" provides explanations for the ORS's cumulative under-  
17 recovery balance as of March 2007, and as of June 2007. The  
18 cumulative under-recovery amount totaled (\$22,834,137) as of March  
19 2007. ORS then added the projected over-recovery of \$1,798,797 for  
20 the month of April 2007, the projected over-recovery of \$565,297 for the  
21 month of May 2007, the projected under-recovery of (\$378,303) for  
22 June 2007 and the projected monthly carrying cost to be collected for  
23 each estimated month to arrive at a cumulative under-recovery of  
24 (\$21,057,477) as of June 2007. The Company's prefiled testimony in  
25 this docket lists the cumulative under-recovery total as of March 2007

1 as (\$22,926,469) (Barkley Exhibit No. 5) and as of June 2007, the  
2 cumulative under-recovery totals (\$21,149,811) (Barkley Exhibit No. 7).

3 The difference between the Company's and the ORS's cumulative  
4 under-recovery as of actual March 2007 is \$92,332. The difference  
5 between the Company's and the ORS's cumulative under-recovery as  
6 of estimated June 2007 totals \$92,334.

7 As stated in the Company's Adjustment for Fuel Costs, fuel costs will be  
8 included in base rates to the extent determined reasonable and proper.

9 **Q. PLEASE EXPLAIN THE CONTENT OF THE AUDIT STAFF EXHIBITS.**

10 **A.** ORS prepared audit exhibits from the Company's books and records  
11 reflecting fuel costs during the review period. Specifically, these  
12 exhibits include the following:

13 Audit Exhibit JRC-1: Coal Cost Statistics

14 Audit Exhibit JRC-2: Received Coal-Cost Per Ton (Per Plant)

15 Audit Exhibit JRC-3: Received Coal-Cost Per Ton Comparison

16 Audit Exhibit JRC-4: Coal Fuel Stocks

17 Audit Exhibit JRC-5: Total Burned Cost (Fossil and Nuclear)

18 Audit Exhibit JRC-6: South Carolina Fuel Costs Computation

19 Audit Exhibit JRC-7: Avoided Cost Adjustment

20 **Q. WOULD YOU PLEASE EXPLAIN FOOTNOTE (1) TO AUDIT EXHIBIT**  
21 **JRC-6?**

1 **A.** Yes. Footnote (1) addresses the cumulative under-recovery balance  
2 brought forward from March 2006 of (\$32,368,519). As reflected on this  
3 exhibit, ORS has the same balance brought forward as the Company's  
4 cumulative under-recovery balance from March 2006 {PSC Docket No.  
5 2006-1-E -- Barkley Exhibit No. 5}.

6 **Q. DID YOU NOTE ANY DIFFERENCES BETWEEN ORS'S AND THE**  
7 **COMPANY'S CALCULATION OF THE UNDER-COLLECTION?**

8 **A.** Yes, I did. Each of the differences are identified and described in the  
9 footnotes (4a) and (4b) of the Audit Exhibit JRC-6. Based on ORS's  
10 examination of the actual months of the review period, these footnotes  
11 explain ORS's proposed two adjustments, as follows:

12 (a) In November 2006, the Company inadvertently excluded a credit  
13 entry of (\$298,955) that was booked properly to system SO2 Emissions  
14 Allowances Expense in Account No. 509.00, from its monthly Deferred  
15 Fuel Costs calculations. The effect on the cumulative balance of the  
16 Deferred Fuel Account No. 182.3220 was an over-recovery adjustment  
17 of \$41,263. The ORS auditors and PEC discovered this error during  
18 the ORS examination, so PEC was able to make an over-recovery per  
19 book adjustment of \$41,263 in April 2007 to the Deferred Fuel Account  
20 (reflected in Account No. 182.3220 as a \$41,263 credit entry). ORS  
21 reflected this over-recovery adjustment of \$41,263 in the cumulative

1 balance of the Deferred Account in March 2007, the last actual month of  
2 the review period.

3 (b) ORS revised Purchased Power figures for April 2006 through March  
4 2007 and the resultant effects to the over/under-recovery monthly  
5 deferred fuel amounts to conform with the S.C. Fuel Statute (updated  
6 as of February 2004), S.C. Code Ann. §58-27-865. This statute  
7 addresses "fuel costs related to purchased power." Sub-section  
8 (A)(2)(b) of the statute states that the total delivered cost of economy  
9 purchases, including (but not limited to) transmission charges, are  
10 included in Purchased Power Costs if those types of purchases are  
11 "less than the purchasing utility's avoided variable costs for the  
12 generation of an equivalent quantity of electric power." After ORS  
13 applied this statute to the examined economic purchases along with the  
14 applicable avoided costs, ORS's adjustment to Purchased Power  
15 Costs, on a total system basis, results in a reduction to those costs in  
16 the amount of (\$336,891). This figure reflects the usage of an avoided  
17 cost as a lesser price, at that point in time, over a purchase price. The  
18 effect of the system avoided costs reduction adjustments of (\$336,891),  
19 on a jurisdictional basis, results in an over-recovery adjustment of  
20 \$51,069 to the Deferred Fuel Account's cumulative balance. This  
21 \$51,069 adjustment is reflected at March 2007 in ORS Audit Exhibit  
22 JRC-6. The details of the avoided costs adjustments and its effect on



1 the monthly S.C. Deferred Fuel Entries are provided in ORS Audit  
2 Exhibit JRC-7.

3 **Q. DID THE COMPANY MAKE ANY ADJUSTMENTS OR TRUE-UPS**  
4 **DURING THE ACTUAL REVIEW PERIOD?**

5 **A.** Yes. The adjustments and/or true-ups made by the Company during the  
6 actual review period are described in ORS footnotes (2) and (3) to Audit  
7 Exhibit JRC-6.

8 **Q. PLEASE EXPLAIN FOOTNOTE (2) TO ORS AUDIT EXHIBIT JRC-6.**

9 **A.** Footnote (2) explains that in May 2006, PEC booked a true-up  
10 adjustment to the cumulative balance in the Deferred Fuel Account  
11 (Account No. 182.3220). The under-recovery true-up adjustment per  
12 book entry of (\$6,081) was the result of a correction to the January  
13 2006 Emission Allowance Expense for a revision in costs. The revision  
14 produced less of an over-recovery Deferred Fuel Entry balance for  
15 January 2006. Therefore, the result was an under-recovery adjustment  
16 of (\$6,081). ORS examined and recomputed the true-up, with no  
17 exceptions noted.

18 **Q. PLEASE EXPLAIN FOOTNOTE (3) TO ORS AUDIT EXHIBIT JRC-6.**

19 **A.** Footnote (3) to Audit Exhibit JRC-6 explains that as of July 2006,  
20 pursuant to the Settlement Agreement approved in PSC Docket No.  
21 2006-1-E, a monthly carrying cost of 6% (compounded annually) is  
22 applied to a declining under-recovery balance based on the beginning

1 actual PEC under-recovery balance as of June 30, 2005 of  
2 \$32,365,925. Per the Agreement, the increased revenue generated by  
3 the 0.3 cents per kwh increase in the fuel factor from 2.2 to 2.5 cents  
4 per kwh for this review period is used to reduce the actual PEC under-  
5 recovery balance as of June 30, 2005 of \$32,365,925. The reduction is  
6 accomplished by multiplying PEC's actual S.C. Kwh Sales for this  
7 review period by 0.3 cents per kwh. Then that resultant product is  
8 subtracted from the \$32,365,925 'starting point' under-recovery  
9 balance. Each month the additional 0.3 cents per kwh revenue is used  
10 to reduce the under-recovery balances through June 30, 2008. The 6%  
11 (compounded annually) interest rate was approved pursuant to the  
12 Settlement Agreement approved by the Commission in PSC Docket No.  
13 2005-1-E. This monthly carrying cost is collected as an under-recovery  
14 entry to the Deferred Fuel Account. ORS examined and recomputed all  
15 of these entries, with no material exceptions noted.

16 **Q. ARE THERE ANY OTHER ISSUES THAT YOU WOULD LIKE TO**  
17 **ADDRESS?**

18 **A.** Yes. During its review of PEC's fuel costs, ORS identified a settlement  
19 of a lawsuit involving PEC and a coal supplier executed in January  
20 2007. ORS did not have sufficient time to review the documentation  
21 regarding this settlement and determine whether any adjustments  
22 should be made. All parties agree that the determination of what, if any,

1 adjustments or true-ups are necessary concerning this matter is an  
2 issue that will be addressed in the next fuel proceeding.

3 **Q. WHAT WAS THE RESULT OF THE ORS AUDIT DEPARTMENT'S**  
4 **EXAMINATION?**

5 **A.** Based on the ORS Audit Staff's examination of the Company's books  
6 and records, and its operation of the fuel cost recovery mechanism, the  
7 ORS Audit Department is of the opinion that, subject to the adjustments  
8 presented in Footnotes (1) through (4) and the issue to be addressed in  
9 the next fuel proceeding, the Company's books and records accurately  
10 reflect the fuel costs incurred by the Company in accordance with  
11 previous Commission orders and with S.C. Code Ann. §58-27-865.

12 **Q. DO YOU SUPPORT THE SETTLEMENT AGREEMENT EXECUTED**  
13 **BY THE PARTIES IN THIS HEARING?**

14 **A.** Yes, I do.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 **A.** Yes, it does.

17

**REPORT OF THE AUDIT DEPARTMENT  
THE OFFICE OF REGULATORY STAFF**

**June 1, 2007**

**DOCKET NO. 2007-1-E**

**CAROLINA POWER & LIGHT COMPANY  
d/b/a PROGRESS ENERGY CAROLINAS, INC.**

**REPORT OF THE AUDIT DEPARTMENT**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2007--1-E**

**CAROLINA POWER & LIGHT COMPANY  
d/b/a PROGRESS ENERGY CAROLINAS, INC.**

**ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS**

**REVIEW PERIOD: APRIL 1, 2006 – MARCH 31, 2007 (ACTUAL)  
APRIL 1, 2007 – JUNE 30, 2007 (ESTIMATED)**

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**Note:** The ORS Audit Exhibits are prepared by the ORS Audit Staff.

**REPORT OF THE AUDIT DEPARTMENT**  
**DOCKET NO. 2007-1-E**  
**CAROLINA POWER & LIGHT COMPANY**  
**d/b/a PROGRESS ENERGY CAROLINAS, INC.**  
**ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS**

**ANALYSIS**

The Office of Regulatory Staff's (ORS) Audit Department has made an examination of the books and records of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. ("the Company" or "PEC") pursuant to the requirements under Docket No. 2007-1-E and S.C. Code Ann. §58-27-865, that periodic hearings be conducted before the Commission concerning the Adjustment of Base Rates for Fuel Costs.

PEC's Retail Fuel Adjustment Clause covers the period of April 2006 through June 2007. However, the ORS Audit Staff did not examine the months from April, May, and June 2007 because the amounts of over/under-recovery for April 2007, May 2007 and June 2007 were estimated by the Company for the purpose of adjusting base rates effective July 1, 2007. The estimates for these three months will be subject to true-up at the Company's next hearing.

The ORS Audit Department's examination consisted of the following:

## **1. ANALYZING THE FUEL STOCK ACCOUNT - ACCOUNT # 151**

ORS's analysis of the Fuel Stock Account consisted of tracing receipts to the fuel management system and issues from the fuel management system to the General Ledger, reviewing monthly fuel charges originating in fuel accounting, and ensuring that only proper charges are entered in the Company's computation of fuel costs for purposes of adjusting base rates for fuel costs.

## **2. VERIFYING RECEIPTS TO THE FUEL STOCK ACCOUNT-- ACCOUNT #151**

ORS's testing of coal receipts to the Fuel Stock Account consisted of randomly selecting transactions and tracing each of these randomly selected transactions to a waybill or truck bill, supplier invoice, a freight invoice and the fuel management system payment voucher for documentation purposes. It also consisted of recalculating the transactions to insure mathematical accuracy.

## **3. VERIFYING CHARGES TO NUCLEAR FUEL EXPENSE - ACCOUNT # 518**

ORS traced the expense amounts for nuclear fuel to the books and records for the period April 2006 through March 2007 to verify the accuracy of the expenses to fuel amortization schedules.

## **4. VERIFYING PURCHASED AND INTERCHANGE POWER FUEL COSTS**

ORS performed an examination of the Company's purchased and interchange power amounts used in the Fuel Adjustment Clause (FAC) for the period April 2006 through March 2007.

ORS obtained the detail of the purchases and sales made by PEC to and from other electric utilities. ORS verified the amounts that are being used in computing total fuel costs

for each month. These details allowed the ORS to identify fuel costs that are being passed through the clause in computing the factor above or below the base for each period. See ORS's Exhibit JRC-6 for details.

ORS revised Purchased Power figures for April 2006 through March 2007 and the resultant over/under-recovery monthly deferred fuel amounts for April 2006 through March 2007 to reflect calculations which conform with S.C. Code Ann. §58-27-865. This statute addresses "fuel costs related to purchased power." Subsection (A)(2)(b) of this statute states that the total delivered cost of economy purchases, including (but not limited to) transmission charges, are included in Purchased Power Costs if those types of purchases are "less than the purchasing utility's avoided variable costs for the generation of an equivalent quantity of electric power." After ORS applied this statute to the examined economic purchases along with the applicable avoided costs, ORS's adjustment to Purchased Power Costs, on a total system basis, was a reduction of (\$336,891). This figure reflects the usage of an avoided cost as a lesser price, at that point in time, over a purchase price.

ORS traced the sales and purchases transactions for April 2006 through March 2007 to the Company's sales and purchases monthly reports and, on a sample basis, traced to monthly invoices. ORS recomputed the sales and purchases.

## **5. VERIFYING KWH SALES**

ORS verified total system sales, as filed in the monthly fuel factor computation, for the months of April 2006 through March 2007. This monthly figure was then used to determine the fuel cost per KWH sold.



## **6. RECALCULATING THE FUEL ADJUSTMENT FACTORS AND VERIFYING THE DEFERRED FUEL COSTS**

ORS recalculated the Fuel Costs Adjustment Factors for the months of April 2006 through March 2007 utilizing information obtained from the Company's records.

With reference to fuel cost, ORS verified the Total Fuel Costs for the months of April 2006 through March 2007 to the Company's books and records.

In recalculating the monthly factors, ORS divided the Total Cost of Fuel Burned by Total System Sales to arrive at fuel costs per KWH sales. The base fuel cost per KWH, included in the base rates, is then subtracted from the fuel cost per KWH sales. The resulting figure represents the fuel cost adjustment above or below base per KWH sales. The South Carolina Retail Jurisdictional KWH deferrals were checked against the Company's records. The actual Deferred Fuel Costs for each month was verified to the Company's books and records.

## **7. RECALCULATING THE TRUE-UP FOR THE OVER/UNDER-RECOVERED FUEL COSTS**

ORS analyzed the cumulative under-recovery of fuel costs that the Company had incurred for the period April 2006 through March 2007 totaling (\$22,834,137). ORS added the projected over-recovery of \$1,798,797 for the month of April 2007, the projected over-recovery of \$565,297 for the month of May 2007, the projected under-recovery of (\$378,303) for the month of June 2007 and the projected monthly carrying cost to be collected for each estimated month to arrive at a cumulative under-recovery of

(\$21,057,477) as of June 2007. The Company's cumulative under-recovery, per its testimony in Docket No. 2007-1-E {Barkley Exhibit No. 5}, as of March 2007 totals (\$22,926,469) and as of June 2007, the cumulative under-recovery totals (\$21,149,811). The difference between the Company's and the ORS's cumulative under-recovery as of actual March 2007 is \$92,332. The difference between the Company's and the ORS's cumulative under-recovery as of estimated June 2007 totals \$92,334. Audit Exhibit JRC-6, South Carolina Fuel Cost Computation, consisting of 4 pages, provides the explanation for any cumulative under-recovery difference as of March 2007.

As stated in the Company's S.C. Retail Adjustment for Fuel Costs Rider, fuel costs will be included in base rates to the extent determined reasonable and proper.

For the purpose of determining the base cost of fuel in base rates effective July 1, 2007, and based on the audit conducted in accordance with the Commission's guidelines, ORS calculated the under-recovery of (\$21,057,477) as of estimated June 2007.

## **6. VERIFYING THE DETAILS OF THE COMPANY'S FUEL COSTS**

ORS prepared exhibits based upon information obtained from PEC's books and records reflecting coal costs during the review period. Specifically, these exhibits are as follows:

### **Audit Exhibit JRC-1: COAL COST STATISTICS**

### **Audit Exhibit JRC-2: RECEIVED COAL-COST PER TON (PER PLANT)**

### **Audit Exhibit JRC-3: RECEIVED COAL-COST PER TON COMPARISON**

Audit Exhibit JRC-1, titled Coal Cost Statistics, provides a detailed analysis of spot and contract coal for the twelve (12) months ended March 2007. Additionally, the Weighted

Average of Coal Received is reflected in Audit Exhibit JRC-1 for the twelve-month period. Total costs for the twelve-month period were divided by the total tons for the twelve-month period in arriving at the average costs per ton received of \$71.35.

Audit Exhibit JRC-2, titled Received Coal-Cost Per Ton (Per Plant), reflects the overall cost per ton of coal by month per plant.

Audit Exhibit JRC-3, titled Received Coal-Cost Per Ton Comparison, reflects the overall cost per ton of coal by month for the three major electric utilities regulated by this Commission.

## **EXHIBITS**

Exhibits relative to this proceeding are identified as follows:

### **AUDIT EXHIBIT JRC-1: COAL COST STATISTICS (AND WEIGHTED AVERAGE OF COAL RECEIVED)**

In Audit Exhibit JRC-1, titled Coal Cost Statistics, ORS compares spot and contract coal received for the period April 2006 through March 2007. The comparison is made in the following five (5) areas:

- (1) Tons Received
- (2) Percentage of Total Tons Received
- (3) Received Cost Per Ton
- (4) Total Received Cost
- (5) Cost Per MBTU

This exhibit also reflects the total spot and contract tons received during the period April 2006 through March 2007. ORS has taken the total received cost for the twelve (12) months

and divided this by the total tons for the twelve (12) months in arriving at a Weighted Average Cost per ton for the twelve (12)-month period.

**AUDIT EXHIBIT JRC-2: RECEIVED COAL-COST PER TON (PER PLANT)**

This audit exhibit reflects the received cost per ton for coal at each of PEC's plants for the period from April 2006 through March 2007, in dollars per ton including freight costs.

**AUDIT EXHIBIT JRC-3: RECEIVED COAL-COST PER TON COMPARISON**

This audit exhibit reflects the received cost per ton for coal for each month from April 2006 through March 2007 for PEC, Duke Power Company and South Carolina Electric & Gas Company. ORS has shown, for comparison purposes, the invoice cost per ton, freight cost per ton, total cost per ton and the cost per MBTU.

**AUDIT EXHIBIT JRC-4: COAL FUEL STOCKS—NUMBER OF DAYS OF SUPPLY  
(ALL PLANTS)**

This audit exhibit reflects PEC's coal inventory in terms of tons received, consumed, and on hand at the end of the month. The beginning and ending tons are reflected with coal receipts and coal receipts in-transit included. The number of days of supply by plants is also shown in this exhibit.

**AUDIT EXHIBIT JRC-5: TOTAL BURNED COST (FOSSIL AND NUCLEAR)**

This audit exhibit reflects the per book cost of burned fuel, including emission allowance expenses, used for generation for the period April 2006 through March 2007. The burned cost of each class of fuel is shown separately.

**AUDIT EXHIBIT JRC-6: S.C. FUEL COSTS COMPUTATION**

Shown in this audit exhibit are the actual costs for April 2006 through March 2007 and

the estimated fuel costs for April, May and June 2007.

#### **AUDIT EXHIBIT JRC-7: AVOIDED COST ADJUSTMENT**

This audit exhibit provides the details of ORS' calculations for the adjustments made to the Company's Purchase Power Costs, on a total system basis, for the review period of April 2006 through March 2007. ORS calculated avoided cost adjustments related to purchase power transactions, on a total system basis, which totaled (\$336,891) in reductions. The effect of the Avoided Costs adjustments on the jurisdictional Deferred Fuel Account resulted in an over-recovery adjustment of \$51,069.

## Carolina Power &amp; Light Company d/b/a Progress Energy Carolinas, Inc.

## Coal Cost Statistics

April 2006 - March 2007

Docket No. 2007-1-E

## SPOT

<u>Month</u>	<u>Tons Received</u>	<u>Percent of Combined Monthly Total</u>	<u>Cost/Tons Received</u>	<u>Total Received Cost</u>	<u>\$/MBTU</u>
	Tons	%	\$	\$	\$
Apr-06	25,566	2.24%	66.65	1,704,074	2.7171
May-06	26,790	2.36%	77.23	2,069,098	3.3251
Jun-06	47,407	4.80%	73.85	3,501,007	2.9376
Jul-06	3,800	0.40%	59.91	227,652	2.3882
Aug-06	30,764	2.87%	75.28	2,315,799	3.0681
Sep-06	58,659	5.70%	68.27	4,004,646	2.8550
Oct-06	139,144	12.11%	68.36	9,512,233	2.7546
Nov-06	83,202	8.52%	69.37	5,771,495	2.8284
Dec-06	34,379	3.18%	73.74	2,535,055	2.9535
Jan-07	21,670	1.91%	61.01	1,322,073	2.4952
Feb-07	9,932	1.08%	55.19	548,172	2.1861
Mar-07	9,804	0.90%	63.35	621,074	2.6408
Total	<u>491,117</u>			<u>34,132,378</u>	

## CONTRACT

<u>Month</u>	<u>Tons Received</u>	<u>Percent of Combined Monthly Total</u>	<u>Cost/Tons Received</u>	<u>Total Received Cost</u>	<u>\$/MBTU</u>
	Tons	%	\$	\$	\$
Apr-06	1,117,445	97.76%	68.77	76,845,999	2.7743
May-06	1,108,389	97.64%	70.81	78,488,358	2.8612
Jun-06	940,911	95.20%	72.31	68,038,244	2.9235
Jul-06	949,549	99.60%	65.86	62,538,310	2.6738
Aug-06	1,040,624	97.13%	70.34	73,202,435	2.8250
Sep-06	970,558	94.30%	73.20	71,047,308	2.9596
Oct-06	1,010,127	87.89%	72.16	72,888,325	2.9054
Nov-06	892,860	91.48%	72.10	64,376,393	2.9169
Dec-06	1,046,887	96.82%	69.21	72,450,096	2.7889
Jan-07	1,114,206	98.09%	77.49	86,338,400	3.1403
Feb-07	911,741	98.92%	72.65	66,238,351	2.9286
Mar-07	1,081,556	99.10%	71.96	77,826,732	2.8837
Total	<u>12,184,853</u>			<u>870,278,951</u>	

## Carolina Power &amp; Light Company d/b/a Progress Energy Carolinas, Inc.

## Coal Cost Statistics

April 2006 - March 2007

Docket No. 2007-1-E

## COMBINED

<u>Month</u>	<u>Tons Received</u>	<u>Percent of Combined Monthly Total</u>	<u>Cost/Tons Received</u>	<u>Total Received Cost</u>	<u>\$/MBTU</u>
	Tons	%	\$	\$	\$
Apr-06	1,143,011	100.00%	68.72	78,550,073	2.7730
May-06	1,135,179	100.00%	70.96	80,557,456	2.8715
Jun-06	988,318	100.00%	72.38	71,539,251	2.9242
Jul-06	953,349	100.00%	65.84	62,765,962	2.6726
Aug-06	1,071,388	100.00%	70.49	75,518,234	2.8319
Sep-06	1,029,217	100.00%	72.92	75,051,954	2.9538
Oct-06	1,149,271	100.00%	71.70	82,400,558	2.8872
Nov-06	976,062	100.00%	71.87	70,147,888	2.9094
Dec-06	1,081,266	100.00%	69.35	74,985,151	2.7942
Jan-07	1,135,876	100.00%	77.17	87,660,473	3.1281
Feb-07	921,673	100.00%	72.46	66,786,523	2.9205
Mar-07	1,091,360	100.00%	71.88	78,447,806	2.8816
Total	<u>12,675,970</u>			<u>904,411,329</u>	

Total Received Cost = \$ 904,411,329 = \$ 71.35

Total Tons Received = 12,675,970

Note: Exhibit prepared by the ORS Audit Staff.

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
 Received Coal - Cost Per Ton (Per Plant)  
 April 2006 - March 2007  
 Docket No. 2007-1-E

Plant	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Asheville	71.88	74.84	80.13	76.25	75.27	76.13	66.23	69.09	64.72	70.92	71.96	73.27
Cape Fear	59.45	58.54	65.39	63.89	60.51	72.68	63.01	71.90	60.82	66.84	71.57	66.63
Lee	55.34	67.99	57.77	63.79	65.33	69.01	71.81	74.28	68.97	83.28	64.85	58.14
Mayo	73.74	76.03	78.30	75.88	73.48	59.43	71.77	72.46	71.05	78.10	76.54	78.52
Robinson	62.24	68.62	61.99	53.09	64.09	60.28	67.74	68.07	65.58	82.73	61.93	65.33
Roxboro 1-3	68.28	70.18	71.70	64.93	73.35	71.60	72.37	69.83	67.56	71.61	72.52	74.08
Roxboro 4	82.02	78.26	83.87	74.29	75.97	115.11**	78.62	81.19	77.90	87.84	77.44	85.04
Sutton	70.07	71.23	70.60	43.89	66.37	69.52	69.51	72.02	71.64	87.56	73.02	71.58
Weatherspoon	69.09	70.40	64.51	56.28	66.58	72.27	78.35	68.89	70.34	102.12**	71.18	60.62
System Total	68.72	70.96	72.38	65.84	70.49	72.92	71.70	71.87	69.35	77.17	72.46	71.88

\*\* Note: Includes received cost adjustments against a small quantity of received tons which distorted the Received Cost Per Ton.

Note: Exhibit prepared by the ORS Audit Staff.



Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
Received Coal - Cost Per Ton Comparison  
April 2006 - March 2007  
Docket No. 2007-1-E

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Apr-06	49.11	19.61	68.72	2.7730
May-06	51.42	19.54	70.96	2.8715
Jun-06	52.75	19.63	72.38	2.9242
Jul-06	49.90	15.94	65.84	2.6726
Aug-06	51.48	19.01	70.49	2.8319
Sep-06	53.41	19.51	72.92	2.9538
Oct-06	51.23	20.47	71.70	2.8872
Nov-06	51.19	20.68	71.87	2.9094
Dec-06	49.29	20.06	69.35	2.7942
Jan-07	57.44	19.73	77.17	3.1281
Feb-07	51.8	20.66	72.46	2.9205
Mar-07	52.53	19.35	71.88	2.8816

Duke Power Company

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Apr-06	45.32	18.17	63.49	2.6207
May-06	45.19	17.79	62.98	2.5883
Jun-06	45.03	18.55	63.58	2.6180
Jul-06	47.04	26.57	73.61	3.0527
Aug-06	47.42	19.57	66.99	2.7759
Sep-06	44.86	21.05	65.91	2.7266
Oct-06	47.54	22.20	69.74	2.8624
Nov-06	49.84	21.05	70.89	2.9066
Dec-06	48.59	22.12	70.71	2.8668
Jan-07	47.22	19.31	66.53	2.6955
Feb-07	43.98	20.63	64.61	2.6315
Mar-07	47.24	19.97	67.21	2.7129

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
Received Coal - Cost Per Ton Comparison  
April 2006 - March 2007  
Docket No. 2007-1-E

South Carolina Electric & Gas Company

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Apr-06	52.48	13.85	66.33	2.6267
May-06	48.86	15.34	64.20	2.5404
Jun-06	48.29	14.67	62.96	2.5076
Jul-06	49.61	14.17	63.78	2.5398
Aug-06	49.17	14.80	63.97	2.5205
Sep-06	49.92	15.46	65.38	2.5918
Oct-06	49.23	15.72	64.95	2.5642
Nov-06	49.36	13.92	63.28	2.4963
Dec-06	47.40	13.84	61.24	2.4152
Jan-07	45.95	14.36	60.31	2.3849
Feb-07	55.66	12.20	67.86	2.6782
Mar-07	49.10	14.99	64.09	2.5169

Note: Exhibit prepared by the ORS Audit Staff.

**Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.**  
**Coal Fuel Stocks**  
**April 2006 - March 2007**  
**Docket No. 2007-1-E**

<u>Month</u>	<u>Tons Beginning of Month</u>	<u>Tons Received During Month</u>	<u>Tons Consumed During Month</u>	<u>Balance End of Month</u>
Apr-06	1,979,256	1,143,011	944,677	2,177,590
May-06	2,177,590	1,135,179	1,035,586	2,277,183
Jun-06	2,277,183	988,318	1,030,145	2,235,356
Jul-06	2,235,356	953,349	1,182,512	2,006,193
Aug-06	2,006,193	1,071,388	1,252,622	1,824,959
Sep-06	1,824,959	1,029,217	927,547	1,926,629
Oct-06	1,926,629	1,149,271	802,529	2,273,371
Nov-06	2,273,371	976,062	920,670	2,328,763
Dec-06	2,328,763	1,081,266	968,385	2,441,644
Jan-07	2,441,644	1,135,876	1,021,026	2,556,494
Feb-07	2,556,494	921,673	1,097,163	2,381,004
Mar-07	2,381,004	1,091,360	1,060,471	2,411,893

Number of Days of Supply -- April 2006 - March 2007

<u>Plant</u>	<u>Supply</u>
Asheville	61
Cape Fear	45
Lee	63
Mayo	60
Robinson	68
Roxboro 1-2-3	52
Roxboro 4	62
Sutton	37
Weatherspoon	44

Note: Exhibit prepared by the ORS Audit Staff.

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
Total Burned Cost (Fossil and Nuclear) \*  
April 2006 - March 2007  
Docket No. 2007-1-E

<u>Month</u>	<u>Coal</u>		<u>Oil</u>		<u>Natural Gas</u>		<u>Emission Allowances</u>		<u>Nuclear Fuel</u>		<u>Total</u>
	\$	%	\$	%	\$	%	\$	%	\$	%	Burned Cost \$
Apr-06	67,094,315	79.37%	692,565	0.82%	8,002,976	9.47%	1,535,678	1.82%	7,206,454	8.52%	84,531,988
May-06	73,151,106	77.47%	653,693	0.69%	11,103,361	11.76%	1,723,119	1.83%	7,788,859	8.25%	94,420,138
Jun-06	73,076,872	70.88%	916,665	0.89%	17,800,753	17.27%	1,622,305	1.57%	9,685,777	9.39%	103,102,372
Jul-06	83,656,129	63.14%	1,577,200	1.19%	37,339,679	28.18%	(171,438)	-0.13%	10,097,964	7.62%	132,499,534
Aug-06	87,295,540	54.66%	4,085,616	2.56%	57,248,562	35.85%	2,122,998	1.33%	8,941,930	5.60%	159,694,646
Sep-06	65,187,426	76.13%	783,474	0.91%	8,135,964	9.50%	2,099,869	2.45%	9,424,813	11.01%	85,631,546
Oct-06	57,712,256	74.20%	929,477	1.19%	8,259,244	10.62%	852,430	1.10%	10,025,326	12.89%	77,778,733
Nov-06	65,784,470	76.12%	1,336,317	1.55%	9,218,753	10.67%	1,723,868	1.99%	8,361,108	9.67%	86,424,516
Dec-06	68,979,654	73.90%	3,707,985	3.97%	9,432,570	10.10%	1,508,981	1.62%	9,717,673	10.41%	93,346,863
Jan-07	73,556,929	71.16%	3,347,275	3.24%	14,612,669	14.13%	1,673,703	1.62%	10,180,282	9.85%	103,370,858
Feb-07	79,804,181	72.32%	4,401,165	3.99%	16,904,220	15.32%	1,655,676	1.50%	7,588,872	6.87%	110,354,114
Mar-07	77,090,399	79.16%	1,112,551	1.14%	9,668,095	9.93%	1,686,494	1.73%	7,824,918	8.04%	97,382,457
<b>TOTALS</b>	<b>872,389,277</b>	<b>71.01%</b>	<b>23,543,983</b>	<b>1.91%</b>	<b>207,726,846</b>	<b>16.91%</b>	<b>18,033,683</b>	<b>1.47%</b>	<b>106,843,976</b>	<b>8.70%</b>	<b>1,228,537,765</b>

\* Includes Emission Allowances

Note: Exhibit prepared by the ORS Audit Staff.

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
South Carolina Fuel Cost Computation  
April 2006 - June 2007  
Docket No. 2007-1-E

	ACTUAL							
	April 2006	May 2006	June 2006	July 2006	August 2006	September 2006	October 2006	November 2006
Fossil Fuel (\$)	77,325,534	86,631,279	93,416,595	122,401,570	150,752,716	76,206,733	67,753,407	78,063,408
Nuclear Fuel (\$)	7,206,454	7,788,859	9,685,777	10,097,964	8,941,930	9,424,813	10,025,326	8,361,108
Purchased & Interchange Power (\$)	7,453,136	11,114,045	16,157,682	29,014,600	37,857,494	8,814,682	4,056,038	11,531,611
Sub-Total (\$)	91,985,124	105,534,183	119,260,054	161,514,134	197,552,140	94,446,228	81,834,771	97,956,127
Less: Intersystem Sales (\$)	11,034,416	11,605,245	11,882,526	25,078,174	24,038,161	9,830,272	8,868,882	9,228,587
Total Fuel Costs (\$)	80,950,708	93,928,938	107,377,528	136,435,960	173,513,979	84,615,956	72,965,889	88,727,540
Total System KWH Sales Excluding Intersystem Sales (000's)	3,928,802	4,003,507	4,476,227	4,983,409	5,368,636	4,817,357	4,097,016	3,913,913
\$/KWH Sales	0.02060	0.02346	0.02399	0.02738	0.03232	0.01756	0.01781	0.02267
Less: Base Sales (\$/KWH)	0.02200	0.02200	0.02200	0.02500	0.02500	0.02500	0.02500	0.02500
Fuel Adjustment (\$/KWH)	0.00140	(0.00146)	(0.00199)	(0.00238)	(0.00732)	0.00744	0.00719	0.00233
S.C. KWH Sales	537,475,325	548,090,479	617,165,966	641,219,659	716,971,857	656,120,295	548,644,482	515,789,336
Deferred Fuel Entry (\$)	752,465	(800,212)	(1,228,160)	(1,526,103)	(5,248,234)	4,881,535	3,944,754	1,201,789
Cumulative Over/(Under) Recovery - March 2006 (\$)	(32,368,519) (1)							
Accounting Adjustments (\$)		(6,081)						
Monthly Carrying Cost Collected (\$)				(160,032)	(149,650)	(134,665)	(129,945)	(117,880)
Cumulative Over/(Under) Recovery (\$)	(31,616,054)	(32,422,347)	(33,650,507)	(35,336,642)	(40,734,526)	(35,987,656)	(32,172,847)	(31,088,938)

**Please Note:**

In Audit Exhibit JRC-6, ORS reflects Over Recovery amounts without parentheses and (Under) Recovery amounts with parentheses.

\*Explanation of Footnotes (1) through (4) on Audit Exhibit JRC-6 is found on pages 5 through 8 in the testimony of Jacqueline R. Cherry and on pages 3 and 4 of Audit Exhibit JRC-6.

Note: Exhibit prepared by the ORS Audit Staff.

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
South Carolina Fuel Cost Computation  
April 2006 - June 2007  
Docket No. 2007-1-E

	ACTUAL				ESTIMATED		
	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007
Fossil Fuel (\$)	83,629,190	93,190,576	102,765,242	89,557,539	78,257,532	92,937,745	110,299,386
Nuclear Fuel (\$)	9,717,673	10,180,282	7,588,872	7,824,918	8,383,445	9,710,477	10,565,810
Purchased & Interchange Power (\$)	6,905,240	7,616,773	9,336,807	8,663,018	6,386,908	4,283,517	8,758,608
Sub-Total (\$)	100,252,103	110,987,631	119,690,921	106,045,475	93,027,885	106,931,739	129,623,804
Less: Intersystem Sales (\$)	11,871,820	12,078,893	20,747,429	12,703,694	6,426,023	7,985,014	9,623,779
Total Fuel Costs (\$)	88,380,283	98,908,738	98,943,492	93,341,781	86,601,862	98,946,725	120,000,025
Total System KWH Sales							
Excluding Intersystem Sales (000's)	4,283,012	4,532,815	4,862,751	4,199,695	4,035,844	4,139,150	4,681,395
\$/KWH	0.02064	0.02182	0.02035	0.02223	0.02146	0.02391	0.02563
Less: Base Sales (\$/KWH)	0.02500	0.02500	0.02500	0.02500	0.02500	0.02500	0.02500
Fuel Adjustment (\$/KWH)	0.00436	0.00318	0.00465	0.00277	0.00354	0.00109	(0.00063)
S.C. KWH Sales	555,022,231	571,895,468	616,014,506	524,177,320	508,134,712	518,620,958	600,481,407
Deferred Fuel Entry (\$)	2,419,897	1,818,628	2,864,467	1,451,971	1,798,797	565,297	(378,303)
November 2006 - (p. 1 of 4) (\$)	(31,088,938)						
Accounting Adjustments (\$)	(2)						
Accounting Adjs. Per ORS Review (Reflected in 3/07)	(\$)			41,263 (4a)			
	(\$)			51,069 (4b)			
Monthly Carrying Cost Collected (\$)	(3)	(113,624)	(105,010)	(86,646)	(87,214)	(76,765)	(71,475)
							(60,891)
Cumulative Over/(Under) Recovery (\$)		(28,782,665)	(27,069,047)	(24,291,226)	(22,834,137)	(21,112,105)	(20,618,283)
							(21,057,477)

Please Note:

In Audit Exhibit JRC-6, ORS reflects Over Recovery amounts without parentheses and (Under) Recovery amounts with parentheses.

\*Explanation of Footnotes (1) through (4) on Audit Exhibit JRC-6 is found on pages 5 through 8 in the testimony of Jacqueline R. Cherry and on pages 3 and 4 of Audit Exhibit JRC-6.

Note: Exhibit prepared by the ORS Audit Staff.

**Carolina Power & Light Company  
d/b/a Progress Energy Carolinas, Inc.  
South Carolina Fuel Cost Computation  
April 2006 – June 2007  
Docket No. 2007-1-E**

**Explanation of Footnotes to Audit Exhibit JRC-6:**

- (1) The cumulative under-recovery balance brought forward from March 2006 is (\$32,368,519). As reflected on this exhibit, ORS has the same balance brought forward as the Company's cumulative under-recovery balance from March 2006 {see PSC Docket No. 2006-1-E -- Barkley Exhibit No. 5}.
- (2) In May 2006, PEC booked a true-up adjustment to the cumulative balance in the Deferred Fuel Account (Account No. 182.3220). The under-recovery true-up adjustment per book entry of (\$6,081) was the result of a correction to the January 2006 Emission Allowance Expense for a revision in costs. ORS examined and recomputed the true-up, with no exceptions noted.
- (3) As of July 2006, pursuant to the Settlement Agreement approved in PSC Docket No. 2006-1-E, a monthly carrying cost of 6% (compounded annually) is applied to a declining under-recovery balance based on the beginning actual PEC under-recovery balance as of June 30, 2005 of \$32,365,925. Per the Agreement, the increased revenue generated by the 0.3 cents per kwh increase in the fuel factor from 2.2 to 2.5 cents per kwh for this review period is used to reduce the actual PEC under-recovery balance as of June 30, 2005 of \$32,365,925. The reduction is accomplished by multiplying PEC's actual S.C. Kwh Sales for this review period by 0.3 cents per kwh. Then that resultant product is subtracted from the \$32,365,925 'starting point' under-recovery balance. Each month the additional 0.3 cents per kwh revenue is used to reduce the under-recovery balances through June 30, 2008. The 6% (compounded annually) interest rate was approved pursuant to the Settlement Agreement approved by the Commission in PSC Docket No. 2005-1-E. This monthly carrying cost is collected as an under-recovery entry to the Deferred Fuel Account. ORS examined and recomputed all of these entries, with no material exceptions noted.
- (4) Based on ORS's examination of the actual months of the review period, ORS proposed two adjustments. The two adjustments are reflected as over-recovery adjustments to the Deferred Account in March 2007. The two adjustments are as follows:

  - (a) In November 2006, the Company inadvertently excluded a credit entry of (\$298,955) that was booked properly to system SO2 Emissions Allowances Expense in Account No. 509.00, from its monthly Deferred Fuel Costs calculations. The effect on the cumulative balance of the Deferred Fuel Account No. 182.3220 was an over-recovery adjustment of \$41,263. The ORS auditors and PEC discovered this error during the ORS examination, so PEC was able to make an over-recovery per book adjustment of \$41,263 in April

Carolina Power & Light Company  
d/b/a Progress Energy Carolinas, Inc.  
South Carolina Fuel Cost Computation  
April 2006 – June 2007

**Explanation of Footnotes to Audit Exhibit JRC-6:**

**(4) (Continued):**

2007 to the Deferred Fuel Account (reflected in Account No. 182.3220 as a \$41,263 credit entry). ORS reflected this over-recovery adjustment of \$41,263 in the cumulative balance of the Deferred Account in March 2007, the last actual month of the review period.

**(b)** ORS revised Purchased Power figures for April 2006 through March 2007 and the resultant effects to the over/under-recovery monthly deferred fuel amounts to conform with the S.C. Fuel Statute, S.C. Code Ann. §58-27-865. This statute addresses “fuel costs related to purchased power.” Sub-section (A)(2)(b) of the statute states that the total delivered cost of economy purchases, including (but not limited to) transmission charges, are included in Purchased Power Costs if those types of purchases are “less than the purchasing utility’s avoided variable costs for the generation of an equivalent quantity of electric power.” After ORS applied this statute to the examined economic purchases along with the applicable avoided costs, ORS’s adjustment to Purchased Power Costs, on a total system basis, results in a reduction to those costs in the amount of (\$336,891). This figure reflects the usage of an avoided cost as a lesser price, at that point in time, over a purchase price. The effect of the system avoided costs reduction adjustments of (\$336,891), on a jurisdictional basis, results in an over-recovery adjustment of \$51,069 to the Deferred Fuel Account’s cumulative balance. This \$51,069 adjustment is reflected at March 2007 in ORS Audit Exhibit JRC-6. The details of the avoided costs adjustments and its effect on the monthly S.C. Deferred Fuel Entries are provided in ORS Audit Exhibit JRC-7.

**Summary of the Effects to the Cumulative Balance of the Deferred Account (w/Explanation #)—Additional Over-Recovery:**

Explanation (4a)	\$41,263	Additional Over-Recovery (SO2 Emissions Allow. Adj.)
Explanation (4b)	<u>\$51,069</u>	Additional Over-Recovery (Avoided Costs Adjs.)
Total	<u><b>\$92,332</b></u>	Accounting Adjs. – Per ORS Review (3/07)



Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
Avoided Cost Adjustment  
April 2006 - March 2007  
Docket No. 2007-1-E

<u>Month</u>	<u>Company's Purchased Power</u>	<u>ORS's Avoided Cost Adjustment</u>	<u>Revised Purchased Power</u>
Apr-06	7,453,136	0	7,453,136
May-06	11,114,045	(24,803)	11,089,242
Jun-06	16,157,682	0	16,157,682
Jul-06	29,014,600	(20,680)	28,993,920
Aug-06	37,857,494	(171,680)	37,685,814
Sep-06	8,814,682	0	8,814,682
Oct-06	4,056,038	(8,176)	4,047,862
Nov-06	11,531,611	(1,563)	11,530,048
Dec-06	6,905,240	(4,384)	6,900,856
Jan-07	7,616,773	(76,511)	7,540,262
Feb-07	9,336,807	(29,094)	9,307,713
Mar-07	8,663,018	0	8,663,018
Total	<u>158,521,126</u>	<u>(336,891)</u>	<u>158,184,235</u>

Note: Exhibit prepared by the ORS Audit Staff.

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
Avoided Cost Adjustment  
April 2006 - March 2007  
Docket No. 2007-1-E

<u>Month</u>	<u>Company/Type of Power</u>	<u>Avoided Cost</u>	<u>Average Energy Cost</u>	<u>Adjustment</u>
Apr-06	No Adjustment	\$0	\$0	\$0
May-06	Company A - Open Tariff	\$26,042	\$37,100	(\$11,058)
	Company B - Open Tariff	\$80,431	\$94,176	(\$13,745)
		<u>\$106,473</u>	<u>\$131,276</u>	<u>(\$24,803)</u>
Jun-06	No Adjustment	\$0	\$0	\$0
Jul-06	Company B - Open Tariff	\$96,511	\$104,590	(\$8,079)
	Company C - Generation	\$42,648	\$49,238	(\$6,590)
	Company D - Emergency	\$19,924	\$25,935	(\$6,011)
		<u>\$159,083</u>	<u>\$179,763</u>	<u>(\$20,680)</u>
Aug-06	Company B - Open Tariff	\$896,900	\$1,068,580	(\$171,680)
Sep-06	No Adjustment	\$0	\$0	\$0
Oct-06	Company B - Open Tariff	\$3,024	\$4,900	(\$1,876)
	Company E - Open Tariff	\$62,700	\$69,000	(\$6,300)
		<u>\$65,724</u>	<u>\$73,900</u>	<u>(\$8,176)</u>
Nov-06	Company F - Open Tariff	\$28,887	\$30,063	(\$1,176)
	Company G - Open Tariff	\$11,565	\$11,952	(\$387)
		<u>\$40,452</u>	<u>\$42,015</u>	<u>(\$1,563)</u>
Dec-06	Company B - Emergency	\$4,028	\$4,470	(\$442)
	Company H - Open Tariff	\$6,116	\$10,058	(\$3,942)
		<u>\$10,144</u>	<u>\$14,528</u>	<u>(\$4,384)</u>
Jan-07	Company A - Open Tariff	\$70,727	\$75,000	(\$4,273)
	Company I - Open Tariff	\$13,926	\$14,346	(\$420)
	Company B - Open Tariff	\$18,096	\$44,000	(\$25,904)
	Company J - Open Tariff	\$90,086	\$136,000	(\$45,914)
		<u>\$192,835</u>	<u>\$269,346</u>	<u>(\$76,511)</u>
Feb-07	Company A - Open Tariff	\$14,752	\$16,000	(\$1,248)
	Company B - Open Tariff	\$114,201	\$132,600	(\$18,399)
	Company F - Open Tariff	\$119,028	\$128,475	(\$9,447)
		<u>\$247,981</u>	<u>\$277,075</u>	<u>(\$29,094)</u>
Mar-07	No Adjustment	\$0	\$0	\$0
	Total Avoided Cost Adjustment	<u>\$1,719,592</u>	<u>\$2,056,483</u>	<u>(\$336,891)</u>

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.  
Effect of Avoided Costs Adjustments on the S.C. Deferred Fuel Entries  
April 2006 - March 2007 (Actual Period)  
Docket No. 2007-1-E

	<u>ORS Deferred Fuel Entry</u> <u>(Recalculated)</u>	<u>Over/(Under)-Recovery</u>	<u>PEC Deferred Fuel Entry</u> <u>(Per Books)</u>	<u>Difference</u>
	\$		\$	\$
Apr. 06	752,465	Over-Recovery	752,465	0
May	(800,212)	(Under)-Recovery	(800,212)	0
June	(1,228,160)	(Under)-Recovery	(1,228,161)	1
July	(1,519,691)	(Under)-Recovery	(1,526,103)	6,412
Aug.	(5,226,725)	(Under)-Recovery	(5,248,234)	21,509
Sep.	4,881,535	Over-Recovery	4,881,535	0
Oct.	3,944,754	Over-Recovery	3,944,754	0
Nov.	1,201,789	Over-Recovery	1,201,789	0
Dec.	2,425,447	Over-Recovery	2,419,897	5,550
Jan. 07	1,830,065	Over-Recovery	1,818,628	11,437
Feb.	2,870,628	Over-Recovery	2,864,468	6,160
Mar.	1,451,971	Over-Recovery	1,451,971	0
				<hr/>
		<u>Total Avoided Cost Adjustment for April 2006 thru March 2007 (Over-Recovery Adj.)</u>		<u>\$ 51,069</u>

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2007-1-E**

IN RE:


Carolina Power & Light Company d/b/a	)	
Progress Energy Carolinas, Inc.	)	<b>CERTIFICATE OF SERVICE</b>
Annual Review of Base Rates for Fuel Costs	)	

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **DIRECT TESTIMONY AND EXHIBITS OF JACQUELINE R. CHERRY** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Len S. Anthony, Esquire  
Progress Energy Services Company  
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\_\_\_\_\_  
Pamela J. McMullan

June 1, 2007  
Columbia, South Carolina